

Message Text

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ACTION EUR-12

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TAGS: EFIN, GR
SUBJECT: GREEK PARLIAMENT DEBATES THE 1978 BUDGET

REF (A) ATHENS 0135 (B) ATHENS 2114 (NOTAL) (C) ATHENS A26 (NOTAL)

1. SUMMARY: AFTER FOUR DAYS OF PARLIAMENTARY DEBATE, THE GOG
MANAGED TO GAINPASSAGE OF THE 1978 BUDGET (SEE REFAIR) BY
A VOTE OF 155 TO 97, DESPITE STRONG EFFORTS BY ALL OPPOSITION
PARTIES TO WAYLAY IT. ALTHOUGH IT WAS GENERALLY ASSUMED THAT
THE BUDGET WOULD BE PASSED SINCE THE PARLIAMENTARY MAJORITY
IS DOMINATED BY THE NEW DEMOCRACY PARTY, THE ATTACKS ON THE
BUDGET, LED BY PASOK LEADER ANDREAS PAPANDREOU, WERE INTENSE
AND RESULTED IN THE BUDGET DEBATE BEING EXTENDED FOR TWO DAYS
MORE THAN HAD BEEN ANTICIPATED. PAPANDREOU CHARACTERIZED THE
BUDGET AS "ANTI-PRODUCTIVE, ANTI-DEVELOPMENT, ANTI-SOCIAL AND
DESTABILIZING" AND ARGUED THAT IT "SERVES THE INTERESTS
OF THE MONOPOLY AND PARASITIC ECONOMIC OLIGARCHY OF WEALTH
AND RUNS COUNTER TO THE INTERESTS OF WORKERS." ALTHOUGH ALL
OPPOSITION PARTIES VOTED AGAINST THE BUDGET AS A WHOLE,
ONLY THE KE REJECTED THE DEFENSE BUDGET WHILE THE
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COMMUNIST PARTY OF THE INTERIOR ABSTAINED. END SUMMARY.

2. IN THE RECENT PARLIAMENTARY DEBATE ON THE 1978 BUDGET,
PAPANDREOU LED THE TENUOUSLY UNITED OPPOSITION PARTIES
BY LAUNCHING A NONCONSTRUCTIVE AND OFTEN CONTRADICTIONARY
ATTACK ON THE BUDGET. CHARACTERIZING IT AS CONSUMER-ORIENTED,
SOCIALY UNJUST, DESTABILIZING, AND INFLATIONARY, HE CLAIMED

THE BUDGET WOULD ONLY HAMPER DEVELOPMENT AND WIDEN THE TRADE DEFICIT. HE THEN LAUNCHED INTO A REVIEW OF THE ECONOMY'S PERFORMANCE IN THE PAST FEW YEARS, WHICH HE CONSIDERS UNSATISFACTORY. PAPANDREOU ALLEGED THAT GREECE IS FACING ACUTE ECONOMIC PROBLEMS WHICH THE GOG FAILS TO ACKNOWLEDGE AND, AS A RESULT, ITS ECONOMIC STRUCTURE WILL CONTINUE TO WORSEN. HE NOTED THAT THE DISTRIBUTION OF THE TAX BURDEN IN GREECE IS THE MOST INEQUITABLE IN THE OECD, THAT TAX EVASION AND PROFITEERING ARE RAMPANT, AND THAT THE GOG HAS THUS FAR BEEN UNABLE TO DEAL WITH THESE PROBLEMS BECAUSE OF A LACK OF POLITICAL WILL. AS A SOLUTION TO THESE PROBLEMS, HE PROPOSED RADICAL TAX REFORM AND WAGE AND PENSION INDEXING.

3. FOCUSING ON BUDGETARY ALLOCATIONS TO INDIVIDUAL MINISTRIES, PAPANDREOU SAID EXPENDITURES FOR EDUCATION AND SOCIAL SERVICES-- ALTHOUGH INCREASING AND HEADED IN THE RIGHT DIRECTION-- ARE FAR FROM ADEQUATE, AND FUNDS FOR MUNICIPALITIES ARE SCANDALOUSLY LOW. THE ONLY ALLOCATION WHICH HE SUPPORTED WAS FOR NATIONAL DEFENSE, SINCE "THE CORNERSTONE OF OUR (PASOK'S) POLICY IS THE DEFENSE OF NATIONAL INDEPENDENCE AND THE COUNTRY'S TERRITORIAL INTEGRITY." WHILE CENSURING THE GOG FOR NOT SPENDING ENOUGH ON SOCIAL WELFARE AND FOR LEVYING AN EXCESSIVE BURDEN ON LOW-INCOME EARNERS, HE ALSO CRITICIZED THE BUDGET FOR NOT BEING BALANCED.

4. OTHER OPPOSITION PARTIES FOLLOWED PAPANDREOU'S LINE, LIMITED OFFICIAL USE

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PICKING THOSE CRITICISMS WHICH BEST FIT INTO THEIR OWN IDEOLOGICAL FRAMEWORK. THE MOST FREQUENTLY USED ARGUMENTS FOLLOWED THEMES OF SOCIAL INJUSTICE, INFLATION AND THE ILLUSION OF THE BALANCED BUDGET.

5. FOLLOWING ATTACKS BY THE OPPOSITION, FINANCE MINISTER BOUTOS AND MINISTER OF COORDINATION RALLIS DEFENDED THE GOG'S POSITION. BOUTOS, WHILE ACKNOWLEDGING THAT SOME PAST ECONOMIC TARGETS HAD NOT BEEN MET, STRESSED THAT THE GNP GROWTH RATE WAS HIGHER IN GREECE THAN IN MANY EUROPEAN COUNTRIES AND THAT THE NEED FOR HEAVY DEFENSE EXPENDITURES WAS A SEVERE CONSTRAINT ON RAPID ECONOMIC DEVELOPMENT. HE REITERATED THAT STEPS WERE BEING TAKEN TO ASSIST FARMERS AND DEAL WITH TAX EVASION. RALLIS ASSURED THE PARLIAMENT THAT THE BUDGET IS ANTI-INFLATIONARY AND MEETS NECESSARY EXPENDITURES IN THE BEST POSSIBLE WAY "WITHOUT CREATING INJUSTICE AND UNEMPLOYMENT". REGARDING TAX EVASION, HE SAID THAT EFFORTS TO END IT HAVE BEEN UNSATISFACTORY, BUT "THERE CAN ONLY BE IMPRESSIVE RESULTS IF EVERYBODY COOPERATES."

6. IN A SPEECH TO THE FOREIGN PRESS ASSOCIATION A WEEK

BEFORE THE BUDGET PRESENTATION, BOUTOS SET OUT THE TARGETS THE GOVERNMENT HOPES TO ACHIEVE BY ITS FISCAL AND MONETARY POLICIES, OF WHICH THE BUDGET IS A KEY ELEMENT. THESE INCLUDE: ACCELERATION OF REAL GNP GROWTH TO 5.5 PERCENT; AN INCREASE INFIXED CAPITAL INVESTMENT OF 11 PERCENT: A DECELERATION OF THE INFLATION RATE TO 10 PERCENT (TO BE ACHIEVE BY SLOWING THE EXPANSION OF MONETARY AGGREGATES BUT STILL ASSURING "COMFORTABLE FINANCING" FOR PRODUCTIVE INVESTMENT); MAINTAINING A HIGH LEVEL OF EMPLOYMENT: AND REACHING BALANCE-OF-PAYMENTS EQUILIBRIUM.

7. COMMENT: ALTHOUGH IT WAS A FOREGONE CONCLUSION THAT THE PARLIAMENT WOULD APPROVE THE BUDGET, IT WAS ALSO TO BE EXPECTED THAT PAPANDREOU WOULD NOT MISS THIS OPPORTUNITY TO LIMITED OFFICIAL USE

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CRITICIZE THE GOVERNMENT'S ECONOMIC POLICIES ACROSS THE BOARD.
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